Corporate and household sectors in Austria: financing volumes remain low

Nonfinancial corporations’ financial position supported by low interest rates

**Sluggish economic growth in Austria**

The dynamics of economic activity in Austria were moderate in the first three quarters of 2015. Whereas external factors – such as the strengthening of euro area growth, the low oil prices and the weaker euro – provided some (albeit limited) support for growth in Austria, domestic demand remained frail. Sustained uncertainties about future economic developments dampened the corporate sector’s investment propensity, with equipment investment turning positive in the course of the year while residential construction investment remained weak.

**Corporate profits continue to decrease**

Reflecting the subdued economic environment, the gross operating surplus of Austrian nonfinancial corporations continued to recede in the first half of 2015 in real terms, thereby continuing the trend observed over the past three years (see chart 6). However, this decrease subsided in the course of the year and came to 1.1% in real terms in the second quarter (based on moving four-quarter sums). In nominal terms, the gross operating surplus was even up 0.6%. The downward trend in the gross operating surplus, expressed as a percentage of gross value added, that had been observed since 2011, came to a halt. At 40.7% by mid-2015, the gross profit ratio was unchanged against end-2014.

**Nonfinancial corporations’ external financing went down further**

Nonfinancial corporations’ recourse to external financing remained subdued in the first half of 2015 and, at EUR 6.3 billion, was even down by 10% against 2014. This distinctive slowdown might reflect nonfinancial corporations’ ample liquidity on the asset side of the balance sheet on the one hand and, on the other hand, the merely gradual increase in financing needs for corporate investment. For the first time since the first half of 2013, the contribution of equity instruments (issuance of both quoted and unquoted shares) to total external financing was less than one-half (roughly 45%) in the first half of 2015. At EUR 2.9 billion, equity financing was about 30% lower than in the first half of 2014. This slowdown was attributable to the net issuance of listed stocks, which – after some signs of expansion in 2014 – fell by almost three-quarters to EUR 0.5 billion. In 2015 so far, there has been only one new listing, and three corporations
have increased their capital on the Vienna stock exchange. Unquoted shares and other equity instruments (mainly sales to foreign strategic investors) amounted to EUR 2.4 billion in the first half of 2015, virtually unchanged from the corresponding period in 2014, and thus accounted for the lion’s share of equity financing (like in the period from 2011 to 2013). Net equity financing in the first half of 2015 was raised completely from abroad, while financing from domestic sources was negative.

**Debt financing remains muted**

The primary source of the Austrian corporate sector’s debt financing were other nonfinancial corporations, which contributed almost 90% of total debt financing in the first half of 2015, thus proving to be — like in previous periods — a very stable form of funding. On the one hand, debt funding took the form of loans from other (mainly domestic) enterprises (mostly transactions within corporate groups), and on the other hand firms took recourse to trade credits despite the fact that in a low interest rate environment, this form of finance becomes comparatively more expensive. One reason for the increased use of trade finance might be that as a key element of firms’ working capital, trade credits develop broadly in line with the business cycle.

Borrowings from foreign banks — which are very volatile as they are largely driven by a few high-volume transactions — more than tripled in the first six months of 2015.¹ A significant part of this increase can be attributed to one large transaction. However, as a proportion of outstanding amounts, loans from foreign banks contributed some 8% to total bank lending to the enterprise sector. In contrast, lending by Austrian banks to domestic non-financial corporations slowed down. For September 2015, MFI balance sheet statistics put annual loan growth² at 0.8% in nominal terms (see left-hand panel of chart 8). Thus, Austria’s positive growth differential vis-à-vis the euro area, which had been observed for almost four years, narrowed during the course of 2015 (and even diminished altogether for some months). In real terms, the growth of bank loans has been negative for more than two and a half years. (Nominal) loan growth mainly came from loans with medium-term and longer maturities (over one year), which had accounted for most of the loan growth in the past.

¹ Loans and trade credit.

² Adjusted for reclassifications, valuation changes and exchange rate effects.
years, while the contribution of short-term loans (with maturities up to one year) decreased.

Loan dynamics continued to be affected by both supply- and demand-side factors. On the one hand, banks continued their cautious lending policies in 2015. According to the euro area bank lending survey (BLS), Austrian banks slightly tightened their credit standards for loans to enterprises in the first half of the reporting year and left them unchanged in the third quarter (see right-hand panel of chart 8). At the same time, banks said that the share of (completely) rejected applications for loans to enterprises rose slightly in 2015. Taking a longer-term view, banks tightened their standards in 19 out of 33 quarters and eased them only twice since mid-2007. Even though in most instances the extent of tightening was relatively small, it may have accumulated over the years. These lending policies affected large firms more strongly than small and medium-sized enterprises (SMEs). The tightening of lending policies has been driven both by factors related to banks’ capital positions as well as by heightened risk concerns. Thus, it is possible that firms with poor credit ratings and higher insolvency probabilities, in particular, might have experienced increased difficulties in obtaining a bank loan.

On the other hand, loan demand by enterprises remained weak, reflecting the current cyclical environment. In both the second and the third quarters of 2015, banks surveyed in the BLS reported a slight decrease in corporate loan demand – as they had done in 22 out of 33 quarters since the onset of the crisis. Banks attributed this decrease mainly to lower funding requirements for fixed investment. Moreover, firms had built up substantial liquidity in recent years. Over the past three years, firms increased their undrawn credit lines (see left-hand panel of chart 9). According to the OeNB’s quarterly statistics on new lending business, the total amount of undrawn credit lines available to enterprises has risen by
Corporate and household sectors in Austria: financing volumes remain low

EUR 7 billion, or 40%, since the end of 2012, i.e. much more strongly than the overall volume of credit lines, implying a significant drop in the rate of credit line utilization. Additionally, firms’ overnight deposits, which had already increased markedly in 2012 and 2013, began to rise again in the course of 2015 (after a reduction in 2014). These liquidity buffers may reflect both precautionary motives and a lack of investment opportunities. Another factor that may have dampened corporate loan demand is that within capital expenditure, investment generally focused on the replacement of the existing capital stock, which is usually financed to a larger extent by internal finance, rather than on enhancing capacities. Thus, at least in the current environment of weak loan demand, Austrian banks’ more restrictive lending policies probably did not constitute a binding constraint for the financing of Austrian enterprises.  

The tighter credit standards were reflected in the terms and conditions of bank loans. Wider margins, especially on riskier loans, as well as higher non-interest rate charges, as reported by banks in the BLS, partially damped the effects of monetary policy easing on financing costs. Lending terms and conditions remained favorable as interest rates on loans to nonfinancial corporations declined even a little further during 2015. Between end-2014 and September 2015, corporate lending rates went down by 16 basis points (see middle panel of chart 8). The decrease was more marked for loans with an interest rate fixation period of more than five years than for loans with shorter maturities. The spread between interest rates on larger loans and those on smaller loans, which – given the lack of other data – is commonly used as an indicator of the relative cost of financing for SMEs, averaged 43 basis points in the first nine months of 2015, one of

---

For a detailed discussion of the factors behind Austria’s recent fall-off in investment activity, see Fenz, G. et al. 2015. Causes of declining investment activity in Austria. In: Monetary Policy and the Economy Q3/15. OeNB.
Corporate and household sectors in Austria: financing volumes remain low

the lowest levels recorded in the euro area. Thus, the very low bank lending rates on new business are likely to have supported domestic lending to the corporate sector.

In the first half of 2015, the subdued external financing of nonfinancial corporations was also reflected in the decreasing issuance of corporate bonds, despite exceptionally low levels of corporate bond yields. Thus, according to financial accounts data, corporate bonds issuance fell by 4% in the first half of 2015 in net terms (measured against the outstanding volume at end-2014), after a 1% drop in the previous year. However, in the third quarter, issuance picked up considerably, as indicated by data from securities issues statistics. In September 2015, corpo-

---

4 At the cutoff date, financial accounts data were available up to the second quarter of 2015. More recent developments of financing flows are discussed on the basis of data from the MFI balance sheet statistics and the securities issues statistics.
Corporate and household sectors in Austria: financing volumes remain low

Although this form of funding is available only to a limited number of mainly larger companies, bonds play a relatively important role in Austrian corporate finance. In the third quarter of 2015, the outstanding amount of long-term bonds issued by the corporate sector amounted to 10.7% of GDP, on a par with the euro area figure (for the second quarter).\(^5\) Looking at the structure of outstanding corporate bonds, the share of floating rate issues decreased between the beginning of 2013 and September 2015 (from 15% to 11%) as did the foreign currency share (from 4% to 3%). Conspicuously, the foreign currency share in the outstanding volume of corporate bonds is considerably lower in Austria than in the whole euro area. While the volume of long-term bonds issued by Austrian enterprises exceeds the euro area average, commercial paper (short-term debt securities) only plays a minor role in corporate finance. The share of short-term securities (with a maturity of less than one year) issued by Austrian non-financial corporations amounted to 1.1% of the total outstanding volume of securities issued by the Austrian enterprise sector (against 6.7% in the euro area).

### Interest rate risk of the corporate sector remains elevated

As corporate debt (viewed in terms of total loans raised and bonds issued) rose only modestly in the first half of 2015 (by 1.3% against the first half of 2014) and remained below the nominal expansion rate of the gross operating surplus, the corporate sector’s debt-to-income ratio decreased slightly in the first half of 2015 to reach 433% (see chart 11). However, it still remained well above pre-crisis levels, implying that the increase in the corporate sector’s vulnerability observed in the period from 2007 to 2009 has not yet been reversed.

The low interest environment continued to support firms’ debt-servicing ability. In the first half of 2015, the proportion of gross operating surplus spent on interest payments for (domestic) bank loans declined slightly further, benefiting from the very high share of variable rate loans in total new loans. While Austrian companies therefore currently face lower interest expenses than their euro area peers, their exposure to interest rate risk is higher. A rebound of interest rates could thus become a burden, especially for highly indebted companies, even if rising debt servicing costs may eventually be partially offset by the positive impact an economic recovery would have on firms’ earnings.

The corporate sector’s exposure to foreign exchange risk, which has never been as high as that of the household sector, remained low in the first nine months of 2015, amounting to 4.3% at the latest reading. Since the second quarter of 2014, the share of foreign currency loans in total outstanding loans in Austria has been below the comparable figure for the euro area as a whole.

The insolvency ratio\(^6\) continued to decline until the third quarter of 2015 (based on a moving four-quarter sum to account for seasonality). This development may be attributed to the moderate increase of debt financing and the

---

\(^5\) Due to the implementation of ESA 2010 in the securities issues statistics as of end-2012, there is a considerable break in the time series (mainly reflecting the fact that a considerable part of bond-issuing enterprises have been reclassified to the government sector).

\(^6\) Number of corporate insolvencies in relation to the number of existing companies.
Corporate and household sectors in Austria: financing volumes remain low

A low interest rate level, which makes debt servicing easier even for highly indebted companies.

Households’ preference for variable rate loans begins to ebb

Austrian households’ saving rate remains low

After a two year decline, real disposable household income rose in the first half of 2015, mainly fueled by low inflation. Looking at the structure of disposable income, we note that the nominal compensation per employee climbed slightly more in 2015 than in 2014, whereas property income and mixed income accruing to self-employed households increased rather slowly. Despite the economy’s persistent weakness, employment continued to expand. At the same time, however, unemployment continued to

Disposable household income on the rise

f flutter.
climb as well, given rising labor participation rates. Private consumption grew slightly during the first three quarters of 2015.

The household sector’s saving rate remained at the low levels of the past years. While high uncertainty may have strengthened precautionary saving, consumption smoothing put downward pressures on the saving rate. Furthermore, the composition of disposable household income may also have reduced households’ propensity to save as property income usually has a higher marginal saving ratio than earned income. Moreover, the current low interest rates might have reduced the attractiveness of saving.

**Strong preference for liquid assets**

Reflecting the low saving rate, households’ financial investments remained subdued in the first half of 2015. At EUR 2.7 billion, they were almost 40% below 2014 levels and more than two-thirds below the 2012 value (see upper left-hand panel of chart 12).

The structure of households’ financial investments showed the same pattern as in previous years. Given the low opportunity costs resulting from low nominal interest rates, households continued to display a strong preference for highly liquid assets and shifted almost EUR 6 billion (more than twice the total net financial investments in that period) into cash holdings and overnight deposits with banks. Bank deposits with agreed maturity continued to decline. Since the first half of 2012, households’ overnight deposits increased by more than EUR 30 billion, while deposits with agreed maturity fell by almost EUR 20 billion.

Investment in life insurance and pension entitlements (the latter including both claims on pension funds and direct pension benefits granted by private employers) continued to slow down in the first half of 2015 and at EUR 0.6 billion reached only about a quarter of the value registered in the corresponding period of 2014. This decrease was driven mainly by life insurance policies, where net investments have been negative since the second half of 2014. In the first six months of 2015, net investments in life insurance policies amounted to −EUR 0.3 billion (against +EUR 0.5 billion a year earlier). This reduction is all the more remarkable as a large part of the (gross) inflows into these instruments did not result from current investment decisions, but rather – given the long maturities and commitment periods involved – reflected past decisions; moreover, life insurance policies often serve as repayment vehicles for foreign currency-denominated bullet loans (even if these are converted into euro loans).

Households’ net financial investments in capital market instruments, which had already been muted in previous years, were negative in the second half of 2015 (−EUR 0.8 billion). In particular, households shunned investments with longer interest rate fixation periods and reduced their direct holdings of long-term debt securities (especially bonds issued by domestic banks). Moreover, they reduced their direct holdings of quoted stocks by EUR 0.5 billion. Conversely, households invested EUR 2.3 billion in mutual funds. Thus, there are few indications – at least within their financial investments – that households made up for low interest rates by investing in riskier assets.
As a result of rising share and bond prices, the Austrian household sector, on aggregate, recorded considerable (unrealized) valuation gains of EUR 5.7 billion on its securities portfolios in the first quarter of 2015, which was equivalent to 5.4% of households’ securities holdings one year earlier. Valuation gains were registered for long-term debt securities, mutual fund shares and quoted stocks. In the second quarter of 2015, however, (equally unrealized) valuation losses of more than EUR 3 billion were registered amid falling bond and share prices, wiping out more than half of the gains of the first quarter. Again, all three asset classes were affected. On balance, households still benefited from a notional increase in financial wealth from securities holdings in the first half of 2015.
Corporate and household sectors in Austria: financing volumes remain low

Growth of household loans remains subdued

The expansion of bank lending to households remained subdued until the third quarter of 2015. In September 2015, bank loans to households (adjusted for reclassifications, valuation changes and exchange rate effects) increased by 1.8% in nominal terms. A breakdown by loan purpose (see chart 13) shows that consumer loans and other loans shrank by 3.9% and 0.6% year on year, respectively, whereas housing loans grew by 4.0% year on year.

Housing loans gain momentum

grow briskly (by 6.1%), while foreign currency loans continued to contract at double-digit rates – in September 2015, they had fallen by 10.7% year on year.
Corporate and household sectors in Austria: financing volumes remain low

While the favorable financing conditions probably supported the dynamics of lending for house purchases, there are no indications that banks relaxed their credit standards for housing loans in recent years. According to the Austrian BLS results, standards have been eased slightly only twice since the beginning of 2014.

In line with MFI balance sheet items (BSI) statistics, banks have been reporting a slight increase in households’ demand for housing loans in the BLS since 2014. Since the first quarter of 2015 (when this factor was included in the BLS questionnaire), banks have attributed this increase largely to the general level of interest rates. Another factor that consistently affected the increasing demand for housing loans were housing market prospects, including expected house price developments. Housing market indicators also pointed to an increase in demand. The strong house price increase registered over the past few years (although not in the course of this year – see below) may have boosted the funding needs for real estate investment. In the first half of 2015, the transaction volume in Austria’s residential property market increased by roughly 30% year on year in nominal terms, according to data published by RE/MAX and compiled from the land register by IMMOunited. This rise also implies an increase in financing needs. However, to a large extent this increase in transaction volumes is likely to reflect the frontloading of transactions, especially of transfers in kind, which do not require financing, as property tax increases are due to take effect in 2016.7

Lending terms and conditions remained favorable although interest rates on loans to households no longer declined in 2015. Interest rates on short-term loans (for interest rate fixation periods of up to one year) stood at 2.46% in September 2015, 0.02 percentage points up on the end-2014 figure. A look at data on lending rates across the entire maturity spectrum reveals that interest rates on new housing loans stood at 2.10% in August 2015, 0.04 percentage points lower than in December 2014. Over the same period, interest rates on consumer credit increased by 0.13 percentage points to 4.81%.

---

Are financial services driving inflation in Austria?

Financial services inflation only slightly above average

The financial services subset of the Harmonised Index of Consumer Prices (HICP) basket comprises the fees banks charge for managing accounts, credit cards and custody accounts.

The chart below shows the development of financial services prices as well as that of headline and services inflation. It is evident – from an inflation rate that remains constant for several months – that prices of financial services tend to be adjusted only at greater intervals. Nevertheless, we do not, over a longer review period, see a persistent differential of financial services inflation vis-à-vis headline inflation. Since 2005, the inflation rate of financial services prices has averaged out at 2.2% per annum, which basically corresponds to the average services inflation rate (2.3%) recorded over the same period. Annual headline inflation has been 2.0% on average since 2005. Judged from the index change between 2005 and October 2015, the 21.6 index point increase in financial services prices is slightly lower than the rise in the overall HICP index of 21.9 index points over the analogous period. Some banks actually justify their raising of account management fees as adjustments to headline inflation. In 2005 to 2006, 2009 and 2012 to 2014, the inflation rate of financial services prices exceeded headline inflation, in the other years under observation it was below headline inflation.

At 0.37%, the weight of financial services in the HICP basket is very low, which is why the contribution of financial services to both headline inflation and service price inflation is also minimal. As a case in point, in 2014, financial services contributed 0.0087 percentage points to Austria’s inflation rate of 1.5%. Their contribution to overall service price inflation in 2014 (2.8%) came to about 0.02 percentage points.

If we only consider the period after the introduction, in early 2011, of the tax on bank liabilities in Austria (which raised concerns that banks would pass on the related costs to their clients via raised bank fees), an international comparison does not show any notable development in the contribution of financial services to inflation in Austria. Since 2011, financial services have contributed an average of 0.0084 percentage points to headline inflation in Austria, i.e. only marginally more than in the period since 2005 (0.0083 percentage points).
Corporate and household sectors in Austria: financing volumes remain low

Households’ currency and interest rate risks remain a concern

By mid-2015, the household sector’s total liabilities amounted to EUR 171.7 billion according to financial accounts data, up 3.8% in nominal terms on the comparable 2014 figure. Expressed as a percentage of net disposable income, household debt rose by 2.5 percentage points to 90.3% in the first half of 2015 (see chart 15). Despite this increase, households’ debt ratio thus remained lower in Austria than in the euro area as a whole. Moreover, according to data from the Household Finance and Consumption Survey (HFCS), only about one-third (36%) of Austrian households have taken out a loan – one of the lowest shares of all euro area countries. So the primary concern is not the absolute value of households’ indebtedness, but rather its structure – namely the high shares of variable rate and foreign currency loans in total household borrowing.

In the third quarter of 2015, loans with an initial rate fixation period of up to one year accounted for 78% of new lending (in euro) to households, against almost 90% in 2014. This reduction can be seen in conjunction not only with the fact that interest rates no longer declined in 2015 but also with the continuing reduction in the spread between the interest rates for loans with long and short interest rate fixations periods. But even if the share of variable rate loans in total new loans has been falling recently, it is still very high by international standards. On the one hand, therefore the pass-through of the ECB’s lower key interest rates to banks’ lending rates was faster in Austria than in the euro area, thus reducing households’ current interest expenses. Loan quality may also have played a role, given the comparatively low level of indebtedness of Austrian households. Households’ interest expenses equaled 1.8% of their aggregate disposable in-

---

**Foreign currency loans to households**

**Number of foreign currency loan accounts**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing loans</td>
<td>300</td>
<td>250</td>
<td>200</td>
<td>150</td>
<td>100</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>250</td>
<td>200</td>
<td>150</td>
<td>100</td>
<td>50</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other loans</td>
<td>250</td>
<td>200</td>
<td>150</td>
<td>100</td>
<td>50</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Foreign currency loans by purpose**

<table>
<thead>
<tr>
<th>%</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 H1</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing loans</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Other loans</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

**Foreign currency loans by remaining maturity**

<table>
<thead>
<tr>
<th>%</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 20 years</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>10 – 15 years</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>5 – 10 years</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Up to 5 years</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: OeNB.
come in the second quarter of 2015, about 2 percentage points less than in 2008, the year before interest rates had begun to fall. On the other hand, the high share of variable rate loans in total lending to households implies considerable interest rate risks in the household sector.

Despite a noticeable decrease in the past few years, the still very high share of foreign currency loans in total lending remains a major risk for Austrian households. There are still about 138,000 borrowers in Austria who have a foreign currency loan, about half as many as in 2009 (see left-hand panel of chart 14).8

In those cases where households did not hedge their foreign currency exposure, shifts in exchange rates affect both the euro-denominated value of foreign currency liabilities and the interest to be paid on outstanding loans. As exchange rate movements not only feed through to interest expenses but also affect the euro equivalent of the principal at maturity—even if they may be considered unrealized valuation changes in bullet loans—they may well affect current payments through the necessity to cover this increase in order to ensure repayment when the exchange rate risk will eventually materialize at maturity date. This risk had been highlighted in January 2015 when, as a result of the strong appreciation of the Swiss franc following the decision of the Swiss National Bank to discontinue its minimum exchange rate of CHF 1.20 per euro, the foreign currency share in outstanding household loans rose from 18.0% to 19.5% within one month. However, during the following months, the share of foreign currency housing loans continued to edge down, coming to 17.1% in September 2015. Almost all outstanding foreign currency-denominated housing loans are denominated in Swiss franc (close to 97%).

Households use foreign currency loans predominantly for housing purposes. By September 2015, about 78% of all foreign currency loans had been taken out for this purpose, while consumer loans accounted for 5% and other loans for 17% of total foreign currency lending to households (see middle panel of chart 14).9 That the primary purpose of foreign currency-denominated loans is housing is reflected in their long maturities. By mid-2015, more than 80% of foreign currency loans had a remaining maturity of more than five years. However, as a result of the very low volume of new foreign currency loans, the remaining maturities have become increasingly shorter. The time when the bulk of foreign currency loans will mature is still a way off, but drawing nearer. While in 2007 more than half (52%) of foreign currency loans to Austrian households had a remaining maturity of more than 15 years, this percentage had come down to less than one-third (30%) by mid-2015. In any case, foreign currency loans will be around for some time as the last foreign currency loans will mature after 2035.

---

8 Strictly speaking, this is the number of foreign currency loan accounts. But survey evidence such as information gained from the HFCS shows that very few foreign currency borrowers have more than one loan outstanding.

9 Other loans comprise loans to persons in the liberal professions and to the self-employed as well as loans for business purposes, debt consolidation, education and investments in pension provision models, and current account overdrafts whose purpose is unknown.
Corporate and household sectors in Austria: financing volumes remain low

Residential property price growth in Austria slowed down

Over the past ten years, real estate prices rose at a stronger pace in Austria than in the EU. Since 2014, however, price dynamics in the Austrian residential property market have moderated considerably. In the second quarter of 2015, residential property price growth in Austria as a whole came down to 1.4% year on year. In Vienna, residential property price growth had continually subsided since the fourth quarter of 2013, coming to 0.6% year on year in the second quarter of 2015, whereas in Austria excluding Vienna, it had still accelerated until the first quarter of 2015. This trend was interrupted when...
residential property price growth slowed to 1.9% in the second quarter of 2015. According to the OeNB fundamentals indicator for residential property prices, residential property in Vienna was overvalued by 19% in the second quarter of 2015. For Austria as a whole, the indicator shows that prices were broadly in line with fundamentals in recent years.